

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Sara L. Hensley

**SUBJECT: PDO/PIO FEES STATUS OF SJRA  
OBLIGATIONS TO THE CITY**

**DATE:** May 25, 2004

---

Approved

Date

---

## **REASON FOR MEMORANDUM**

At the Recreation and Cultural Services City Service Area Budget Study Session on its Capital Improvement Program, a referral was made regarding the current status of Parkland Dedication Ordinance (PDO) and Park Impact Ordinance (PIO) fee collection associated with the Redevelopment Agency's Parkland In-Lieu Voucher Program (voucher program) for funding PDO/PIO fees related to low- and very low-income residential units. This memorandum responds to the referral.

## **BACKGROUND**

In 1998, the City Council adopted comprehensive amendments to the PDO, Chapter 19.38 of the San José Municipal Code and to the PIO, Chapter 14.25 of the San José Municipal Code. Consistent with the State of California Quimby Act, both the PDO and PIO require developers of new residential projects to dedicate parkland, construct park improvements, and/or pay equivalent in-lieu fees for neighborhood and community-serving parks.

The amendments to the PDO and PIO suspended the exemptions for low-income residential units subject to affordability restrictions for a period of three years. The suspension was further extended June 2001, ending on July 1, 2004. Under the current voucher program, developers of such low- and very low-income residential units are issued a voucher from the City's Housing Department to present to the City's Building Division in-lieu of the payment of PDO and PIO fees. The City's Building Division in turn notifies PRNS of the voucher it has received. The Agency, upon being presented a billing by PRNS listing the vouchers that have been redeemed, then reimburses the Park Trust Fund in the amount of the voucher.

The subsidy for payment of in-lieu fees by the Agency for low-income units has provided approximately \$12 million to the Park Trust Fund from its inception. Above and beyond that, an additional approximate \$9.4 million is outstanding from the Agency for current projects that have obtained building permits. The Housing Department estimates that another five projects

HONORABLE MAYOR AND CITY COUNCIL

May 25, 2004

**Subject: PDO/PIO Fees Status of SJRA Obligations to the City**

Page 2

with 458 units, having PDO fees estimated at \$3.89 million, will start construction between July and November 2004.

The Agency has budgeted \$10 million in the current fiscal year from its December 2003 bond sale, but these funds are currently among the \$40 million of projects listed as deferred to 2004-2005. A proposal to extend the program for another four months will add another, currently unfunded, \$3.9 million to this obligation.

### **ANALYSIS**

At the time of the PDO and PIO amendments, the City and the Agency determined that it was important to promote affordable housing goals, while providing adequate public parkland to serve new City residents, including residents of low-income residential units. Accordingly, the 1998 amendments suspended the exemption that had been in place for low- and very low-income units. These amendments also made payment of the PDO and PIO fees available from the Agency through the previously described voucher program as a means to assure that the park and recreation needs of low- and very low-income residents were addressed equitably.

Approximately \$9.4 million is outstanding for current projects that have obtained building permits. Approximately \$3.9 million in fees are expected to accrue between July 1 and November 1, 2004. It is estimated that the potential impact to the Agency for future voucher payments under the program could be another \$15.2 million over the next three to five years. The actual amount will depend on the number of low-income units constructed by developers in the next three to five years and if future tax increment revenues are sufficient to support this program along with other obligations of the Agency. Another option is to fund the program from some other source.

SARA L. HENSLEY  
Director, Parks, Recreation and  
Neighborhood Services